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Mitchell E. Daniels, Jr.
Governor

News Release For Immediate Release

Governor signs property tax relief and reform bill

INDIANAPOLIS (March 19, 2008) – Governor Mitch Daniels today signed historic legislation that will provide significant property tax relief now and permanent protection against future property tax increases. Sequentially during a ceremony at the Indiana State House, Speaker of the House B. Patrick Bauer, Lieutenant Governor Becky Skillman, Senate President Pro Tempore David Long, and Daniels signed HEA 1001 flanked by dozens of legislators who overwhelmingly passed the bipartisan measure last week.

“I want to thank the leaders and all members of the legislature who worked so hard for several months to make this possible and for the cooperative nature of that process, the bipartisanship that prevailed throughout, the overwhelming bipartisan majorities that finally voted for this bill and for the companion resolution,” said Daniels. “But I want to say even to those who finally couldn’t bring themselves to support it that I appreciate their spirit of cooperation to the debate. The debate was a fair one and an open one, and it was conducted without rancor, and I think in really the best spirit of our democracy.”

This year, Hoosiers will have an average property tax cut of more than 30 percent; a total of \$870 million in relief will be provided. Beginning in 2010, homeowner property taxes will be capped at 1 percent of a home’s assessed value, apartments and agriculture land will be capped at 2 percent of assessed value, and business property will be capped at 3 percent of assessed value. Once fully implemented, the plan delivers \$1.72 in tax cuts for each \$1 of new sales tax.

“Any legislation this significant takes compromise. And sometimes compromise is a little painful. But you have to have a process to mitigate that within the bill, and I call this a work in progress because we have eight months to see how it works out,” said Bauer. “But we know one thing. It’s going to be about a 38 percent property tax cut for residents. That’s what we said was the prime goal this session, and that’s what we did.”

“After months of study and discussion, we have given Hoosiers true, permanent property tax reform. HEA 1001 is perhaps the most comprehensive and innovative property tax reform bill in the country,” said Long.

The plan includes the four elements the governor said were critical last October, when he introduced a comprehensive property tax plan: immediate and significant relief; permanent protection; limits on local government spending; and improved accuracy and fairness in the assessment of property value.

“We’ll make law that inaugurates a new era of taxpayer protection in this state. It puts taxpayers first, taxpayer affordability first, and I believe gives Indiana yet another edge on its competition as America’s best place to own a home or create a business,” said Daniels.

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Senate Joint Resolution 1, which would make the property tax caps passed in HEA 1001 permanent for Hoosier taxpayers through a constitutional amendment also was signed today.

Here are key elements of HEA 1001:

Immediate Relief

- Homeowners will see an average tax cut of more than 30 percent in 2008 vs. 2007 bills
- 2008 homeowner relief increased by \$620 million - the total of expected 2008 collections from the one-cent sales tax increase - bringing the 2008 total homeowner relief to \$870 million

Permanent Protection

- The plan caps homeowner property taxes at 1 percent of a home's assessed value starting in 2010. (In 2009, the cap will be 1.5 percent)
- The plan caps property taxes for apartments and agricultural land at 2 percent of assessed value in 2010 (In 2009, the caps will be 2.5 percent)
- The plan caps business property taxes at 3 percent of assessed value in 2010 (In 2009, the cap will be 3.5 percent)
- When caps are fully in place, the plan delivers \$1.72 in tax cuts for each \$1 of new sales tax.
- This plan takes the first step toward placing the caps in the Indiana Constitution. Taxpayers will get a chance to approve the caps in the November, 2010 general election only if lawmakers approve them again next year.
- State takes over about \$3 billion of costs that were previously on local property tax rolls:
 - The remaining 15 percent of school operating costs
 - Child welfare levies
 - Costs of juvenile incarceration in state facilities
 - State fair and forestry levies
 - Health care for the indigent
 - Pre-school special education levies
 - Costs of police and fire pensions
- The state will pay for these costs with revenue raised by increasing the sales tax from 6 percent to 7 percent, existing gaming revenue, and redirecting state sales tax currently used to subsidize local spending.

Limits on local government spending

- Referenda required for new school and local government capital projects.
 - For elementary and middle school projects over \$10 million
 - For high school projects over \$20 million
 - For local government projects over \$12 million or 1 percent of assessed value
- Eliminates loopholes on levy appeals that previously enabled local governments to spend more than budgeted
- County Council oversight of non-elected board budgets

Improved accuracy and fairness in assessment of property value

- Reduces the total number of assessors from 1,100 to 92 county assessors and 42

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township assessors, an 88 percent reduction.

- Requires referendums this November in townships with more than 15,000 parcels to determine if township assessor duties should be transferred to the county
- Increased requirements for assessor certification that will mean more equity, uniformity and fairness.
- A process in place to remove an assessor who does not meet performance expectations.
- Stronger state oversight with the Department of Local Government Finance required to be party to any vendor contract

Other Elements of HEA 1001

- Provides transition period to ease the impact of the property tax caps on local government
- Provides special accommodations for Lake and St. Joseph counties, due to their high property tax rates and heavy reliance on property taxes to fund local government services
- Provides \$120 million for schools in 2009 and 2010 to reduce the impact of the tax caps
- Increases school “rainy day” fund to ensure adequate funding is available in the event of an economic downturn
- Limits property tax bill increases to no more than 2 percent annually for seniors who make less than \$30,000 annually (single) or less than \$40,000 (joint), if the assessed value of their homes is \$160,000 or less.
- Increases renters deduction from \$2,500 to \$3,000.
- Increases earned income tax credit for lower-income Hoosiers from 6 percent to 9 percent.

Audio of the news conference may be found at this link:

http://www.in.gov/gov/files/Audio/031908_HEA1001_signing_ceremony.mp3

A photo of the bill signing may be found at this link later today:

<http://www.in.gov/gov/3229.htm>